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Subject:	Farm Bill 2007 Official Comments - 08/29/2005 02:01 PM CDT
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Question1: August 31, 2005

Mike Johanns
Secretary of Agriculture

Dear Mr. Johanns:

The Federation of Appalachian Housing Enterprises, Inc. (FAHE) embraces the housing programs that receive funding through UDSA Rural Development. Programs such as the 502 direct, Rural Home Loan Partnership, 504, HPG and 515 programs are the only funds that serve the housing needs of low income rural residents across the country.

However we need to look at the challenges before us, within the Central Appalachian Region:
? 30,000 homes lack complete plumbing
? 22,000 lack adequate kitchens
? 50,000 homes are overcrowded
? 17% of homeowners and 33% of renters are cost burdened
? Median income is 56% of the national median income
? The poverty rate is over twice the national average.

The four-state Central Appalachian area served by FAHE is one of the most economically distressed regions of the country. FAHE?s service area encompasses 84 of the 121 counties designated ?distressed? by the Appalachian Regional Commission?s Distressed Counties Program. FAHE, and its member groups, are naturally led to service in these distressed counties. One or more FAHE member groups provide direct, affordable housing services in 69 of the 84 ARC-Distressed Counties in our service area or 57% of the total number of distressed counties in the entire Appalachian Region.

Data extrapolated from the 2000 US Census reveals that more than 20% of FAHE?s service area residents, or about 400,000 people have incomes below the poverty line. In over 30 counties the poverty rate exceeds 30% and in several it is over 40%. In the counties served most intensely by FAHE, median family income is frequently less than $20,000. Well over 100,000 households have annual incomes less than $10,000.

A home is the most valuable asset most Americans, especially low- and moderate-income people, will ever own. Yet, one of the greatest needs in the region is for affordable housing. Based on the 2000 census data, we believe there is a current need to make available an estimated 100,000 units of housing to assist low and very low income families in the region. A decent, affordable home is one of the key ingredients necessary to breaking the cycle of poverty.

The issues are not limited to Central Appalachia. While more rural residents than urban dwellers are homeowners, the median value of nonmetro homes ($80,000 in 2001) is significantly less than the median value of homes nationwide ($120,000 in 2001). Rural homes generally appreciate at lower rates than urban housing and manufactured housing specifically contributes to reduced housing investment values in nonmetro America.

Limited access to credit and affordable mortgage sources is another factor impacting rural Americans' housing investment opportunities. Approximately 10 percent of all nonmetro mortgages, twice the proportion of metro loans, have an interest rate of 10 percent or more. Furthermore, the recent proliferation of subprime lending has influenced rural markets and housing stability. Subprime lenders are more active in low-income areas and minority communities, and evidence suggests that they are increasingly active in rural areas.

Since the mid-1930s, the U.S. government has supported the production of housing for millions of low- and moderate-income Americans. About eight percent of nonmetro households, compared to one percent of all U.S. households, report receiving some type of federal housing assistance beyond the mortgage interest income tax deduction. Decreased funding for U.S. rural housing programs and a recent shift in emphasis to indirect subsidies such as loan guarantees and tax incentives have meant that the federal commitment to affordable rural housing has not kept pace with need. Furthermore, preservation of existing low-income housing units is a critical issue throughout the country.

U.S. housing policy has tended to emphasize homeownership, but Americans should have the option of affordable, decent rental housing as well. Production of new rural rental housing is essential. Vouchers to help tenants pay rent for market-rate housing are not always useful in rural areas. For one thing, vouchers are not universally available throughout rural areas because administering agencies do not exist everywhere. In other places, too often there simply are not enough rental units. Low Income Housing Tax Credit financing cannot fill the gap because it is difficult to use tax credits for the small projects needed in many rural places and because the LIHTC has limited ability to help very low-income tenants without additional subsidies.

A number of existing affordable rural rental units have been lost, and many more are at risk. More than 11,000 projects encompassing nearly 290,500 units of Section 515 rental housing are at risk of subsidized loan prepayment, conversion to market rents, and displacement of tenants. To protect the federal government?s significant investment in this housing stock, funding must be made available to transfer ownership to owners such as nonprofit organizations that commit to keeping the units available for low-income residents permanently. Funds to help owners maintain their property are also needed.

The needs of special rural populations must be addressed through targeted policies and funds. No single type of assistance can address the needs of residents of persistent poverty areas such as Central Appalachia, the Mississippi Delta, or the border colonias. Federal policy and funding must continue to support programs focused on these special populations, such as USDA?s Section 514/516 farm labor housing program, HUD?s Section 202 and 811 programs for elderly people and people with disabilities, the McKinney-Vento programs for people who are homeless, and the Native American housing programs administered by HUD and the Bureau of Indian Affairs. New rental production could be financed through a national housing trust fund and the Rural Rental Housing Act. In addition, Section 515 remains a viable and proven production loan program that reaches the lowest income rural residents and it should be continued.

In FY2004, Rural Development spending totaled $1.938 billion or 8.9% of total USDA discretionary spending for that year. Rural Development spending (which has never totaled more than 10% of total funding in the annual agricultural appropriations bills), contributed 23.4% of the reductions in discretionary spending for the Department as a whole.

Therefore we urge you to work for a significant increase in Rural Development funding as part of the 2007 Farm Bill. Thank you for your partnership and we look forward to addressing the housing needs of rural America with you.

Sincerely

Jim King
President

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FAHE is a U.S. Treasury certified Community Development Financial Institution and 501(c)3 nonprofit corporation. Our mission is to serve the housing needs of low-income people of Central Appalachia by: providing informed advocacy for, providing resources to, and facilitating collaboration among a network of housing organizations. We provide financial services in the Appalachian areas of Kentucky, Tennessee, Virginia and West Virginia.

In 25 years FAHE has:
- Provided affordable mortgage loans to nearly 900 families
- Infused the region with more than $150 million in capital
- More than 6,000 homes constructed or preserved

During this past year we continued to advocate for appropriate funding policy on the state and federal levels on our Member?s behalf. The FAHE network provided a forum for Members to cooperate with each other to strengthen their voice and availability of resources. We also expanded our product offering to include both conventional mortgage products directly to consumers and unconventional and specialty mortgage products, which are available exclusively through FAHE Membership. In total FAHE lent $7,428,880 in FY 2005, which will create or preserve 368 homes.

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